

Welcome

We are delighted to welcome you to the autumn 2006 edition of the Fourth Hurdle news letter. This is an opportunity for us both to update you on news and events within the company, and to inform you of items of interest in the fields of health economics, outcomes research and market access that we think might be of use to you.

Please take a few minutes to read this short news letter, and do let us know if you find it of interest. If not, let us know what we can do to make it more relevant to you.

ISPOR

As usual we will be well represented at this year's ISPOR European meeting in Copenhagen. We will be on the *aegisnet* stand (contact David Grant or Pippa Anderson at booths 4 and 5). Please stop by and see us.



We hope to see you at ISPOR!

Payment By Results

Payment by Results (PbR) is a financial system that provides a transparent, rules-based method for paying for acute hospital care in the UK NHS. It rewards efficiency, supports patient choice and enables money to move fairly and openly around the system.

Elements of PbR

- Reimbursement to providers based on a standard national tariff.
- The national tariff is set by the Department of Health (DH) for activity categorised by Healthcare Resource Groups (HRGs).
- Currently covers electives, non-electives, outpatients and A&E in all NHS providers.
- To be expanded gradually to cover a broad set of services e.g. critical care and mental health.

For patients, PbR supports their decisions about where and when they receive treatment, as funds literally follow patients as they choose from the wide range of services they need to help them manage their illness.

PbR provides purchasers (commissioners) with a national currency (the tariff). Providers are paid for the services they provide rather than being reliant principally on historic budgets and the negotiating skills of individual managers.

The current expectation is that PbR will cover 89% of Trust income in 08/09 – or some 46% of Primary Care Trust (PCT) budgets.

Implication of PbR for the Pharmaceutical Industry

NHS Trusts may become highly cautious of introducing new drugs unless they can show demonstrable quality/capacity improvements for their extra cost.

Presently a number of high-cost drugs are excluded from the tariff. Commissioners and providers therefore have to agree local prices and monitoring arrangements for the use of these drugs. For pharmaceutical companies marketing drugs within the excluded list, an understanding of the cost and volumes agreed between local commissioners and providers is imperative in helping underpin local sales strategies and sales forecasting.

Another benefit of understanding the cost and volumes agreed between local commissioners and providers is that pharmaceutical companies will be able to clearly identify the total size of the market they are competing in. This will enable them to identify more clearly the customers who influence drug usage once they understand where the budget is being held.

In future newsletters other aspect of PbR will be discussed, for example:

- Changes to the PbR scope in 2006/07.
- Structure and methodology for tariff setting.
- Areas of the tariff which were re-examined eg short stay tariff and specialist top-ups.

For further information contact Kevin Bowrin at KevinBowrin@FourthHurdle.com

Recent achievements -

We were delighted recently to receive the following very positive feedback from a client for whom we developed a Core Value Dossier and an economic model.

The dossier and model were disseminated to all the local country affiliates, including the UK, who subsequently used them to advantage, one example being when their product came under the scrutiny of the London New Drugs Group (LNDG).

The LNDG is a multi-disciplinary group which advises health authorities within the region on managing the entry of new drugs. The area covered by the LNDG includes the London Region, Bedfordshire, East Anglia, Essex and Hertfordshire.

"This is an excellent result from the London New Drugs Group who normally have high expectations. The fact that they copied all our cost data from the cost model speaks volumes for its credibility!

This will help tremendously with our negotiations with PCT's for funding".

Fourth Hurdle Training Event

Three senior staff members from Fourth Hurdle, Pippa Anderson, Cate Scott and Anna D'Ausilio, delivered a well attended seminar at the **IIR Conference Health Economics: Driving profitability through strategic health economics** held in London in April 2006.

The interactive workshop, entitled **'The Core Value Dossier: what does an effective dossier look like?'** was designed to lead participants through the processes, decisions and key components necessary to produce an effective Product Value Dossier. This was delivered to an

international group of delegates by means of short demonstrations, followed by structured group work and exercises and backed up by a folder of useful materials. The session was lively and attendee feedback was very positive.

We are in a position to offer a customised adaptation of this session (tailored to full or half-day) to companies wishing to take a group of their staff through an intensive introduction and exploration of Value Dossiers and their role in Healthcare Economics. Contact Cate Scott at CateScott@FourthHurdle.com for further information.

A selection of recent publications by Fourth Hurdle staff

REEVES P, IRWIN D, KELLEHER C, MILSOM I, KOPP Z, CALVERT N, LLOYD A.

The Current and Future Burden and Cost of Overactive Bladder in five European Countries. *Eur Urol.* 2006; 50(5): 1050-7

CALVERT NW, BURCH SP, FU AZ, REEVES P, THOMPSON TR. The cost-effectiveness of lamotrigine in the maintenance treatment of adults with bipolar I disorder. *Journal of Managed Care Pharmacy* 2006; 12(4); 322-30

REEVES P, IRWIN D, KOPP Z, BRIDGE S, MILSOM I, KELLEHER C, and ARTIBANI W. A comparative study of the economic burden of overactive bladder and urgency urinary incontinence across 6 western countries. (Poster) ISPOR 9th Annual European Congress, Copenhagen, 2006

LARGERON N, TRICHARD M, MIADI-FARGIER H, TRANCART A, D'AUSILIO A, CHICOYE A. Cost-effectiveness analysis of Rotavirus vaccination programme in the UK. (Poster) ISPOR 9th Annual European Congress, Copenhagen, 2006

HUTCHINSON J, LLOYD A, GRAY A, GALE R, HANCOCK B. Costs of chemotherapy for indolent follicular nonHodgkin's lymphoma in the UK: an observational study. *Ada Haematol.* 2006;115(1-2):28-34.

WILLIAMS AE, LLOYD A, WATSON L, RABE KF. Cost of scheduled and unscheduled asthma management in seven EU countries. *European Respiratory Review* 2006; 15:(98): 4-9

VERVLOET D, LLOYD A, WILLIAMS AE, CLARK TJH. Costs of managing asthma as defined by a derived Asthma Control Test (ACT) score in seven European countries. *European Respiratory Review* 2006; 15:(98): 17-23

LAI KW, KUO S-H, DE GUIA T, LLOYD A, WILLIAMS AE, SPENCER MD. Asthma control and its direct healthcare costs: findings using a derived Asthma Control Test (ACT) score in eight Asia-Pacific areas. *European Respiratory Review* 2006; 15:(98): 24-29

Value Based Pricing

The likely cost-effectiveness profile of any product is an important factor when taking decisions about pricing, positioning and allocation of scarce company resources to product commercialisation.

A technique to provide this information is Value Based Pricing (VBP) where numerical models are used to determine the Value Based Prices. That is, the highest price at which a product will meet agreed thresholds of acceptable cost-effectiveness. The VBP can vary according to the indication, country, patient group, and setting of care. It will also vary according to the anticipated profile of the product and the evidence available to support that profile. To the degree that pharma companies control the

evidence generated about a product - through choice of study design, target profile, and patient group - the VBP can be influenced by decisions taken during the commercialisation process.

VBP can be estimated at different stages in the commercialisation process.

Ideally, the approach to pricing should be an iterative process, where the VBP analysis feeds in to qualitative pricing research, and vice versa.

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The view from the Fourth Hurdle Office



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